Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.
## Contents

**Key Messages** ........................................................................................................... 4  
2012/13 ............................................................................................................................ 4  
Outlook ............................................................................................................................. 4  

**Introduction** .................................................................................................................. 5  

**Matters to be reported** .................................................................................................. 6  
Conduct and scope of the audit ....................................................................................... 6  
Audit opinion & accounting issues .................................................................................. 6  
Findings ............................................................................................................................. 6  
Financial results .............................................................................................................. 7  
2013/14 budget ................................................................................................................ 7  
Best value and performance ............................................................................................. 9
Key Messages

2012/13

We have given an unqualified opinion that the 2012/13 financial statements of North Strathclyde Community Justice Authority (NSCJA) give a true and fair view of the state of the body's affairs and of its net expenditure for the year.

In 2012/13 NSCJA reported a small accounting surplus on the provision of services of £2,207, compared to a breakeven budget; the surplus was due to savings on administration costs.

Last year we reported that the accounts should include pensions liabilities and account for accumulated short-term absences such as annual leave and flexi-time accrued by employees. The 2012/13 accounts included these two areas for the first time and prior year figures were adjusted accordingly.

With the accounts now accounting for pension assets and liabilities, the balance sheet at 31 March 2013 shows net liabilities of £62,000 (£31,000 as at 31 March 2012). A material net liability can highlight potential going concern issue however, we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

Overall the system of internal control and arrangements for the prevention and detection of fraud were satisfactory during 2012/13.

Outlook

In 2012 the Commission on Women Offenders and Audit Scotland published reports that separately called for radical reform to reduce reoffending. In late 2012, the Scottish Government began consultation on three options for redesigning community justice. Possible options for reform are:

- enhanced Community Justice Authority (CJA) model, where changes are made to CJA membership and functions.
- local authority model, where local authorities assume responsibility for the strategic planning, design and delivery of offender services in the community.
- single service model, where a new national social work-led service for community justice (separate to and sitting alongside the Scottish Prison Service (SPS)) is established.

In 2013 NSCJA provided a written submission after consulting members.

The Scottish Government anticipates making an announcement on the way forward in late 2013. There could be significant changes for CJAs and we will consider the Scottish Government plans as part of our planning for 2013/14.
Introduction

1. This report is the summary of our findings arising from the 2012/13 audit of North Strathclyde Community Justice Authority (NSCJA). The purpose of the report is to set out concisely the scope, nature and extent of the audit. It summarises our opinions (i.e. on the financial statements) and conclusions on significant issues arising.

2. The report also reflects our overall responsibility to carry out an audit in accordance with the public sector audit model which is based on the Code of Audit Practice prepared by Audit Scotland (May 2011). This sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance. An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements prepared by management; however this does not relieve management of their responsibilities in this respect. This report has been prepared for the use of NSCJA and no responsibility to any third party is accepted.

3. This report is also addressed to the Auditor General and will be published on our website after consideration by NSCJA. Reports should be made available to stakeholders and the public, where appropriate. Audit is an essential element of accountability and the process of public reporting.
Matters to be reported

Conduct and scope of the audit

4. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan issued to management in March 2013 and presented to NSCJA on 6 September 2013, and follow the requirements of the Code of Audit Practice prepared by Audit Scotland in May 2011.

5. As part of the requirement to provide full and fair disclosure of matters relating to our independence we can confirm that we have not undertaken non-audit related services. The 2012/13 agreed fee for the audit was disclosed in the Annual Audit Plan and as we did not carry out any additional work outwith our planned audit activity the fee remains unchanged.

Audit opinion & accounting issues

6. We have given an unqualified opinion that the financial statements of NSCJA for 2012/13 give a true and fair view of the state of the body's affairs and of its net expenditure for the year. The audit opinion was formally issued and signed on 30 October 2013.

7. We received the unaudited financial statements on 18 June 2013, in accordance with the agreed timetable. The working papers were of a high standard and the staff provided good support to the audit team which enabled us to complete our on-site fieldwork by the planned target date.

8. Community justice authorities are required to prepare accounts in line with the Scottish Government Justice Directorate’s Guidance Note Four: Management Statement / Financial Memorandum (March 2013). The memorandum states that the accounts should be prepared in line with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012/13 Code) and we can confirm that the financial statements have been properly prepared in accordance with the 2012/13 Code.

9. In previous years we reported that the accounts should include pensions liabilities and account for accumulated short-term absences such as annual leave and flexi-time accrued by employees. The 2012/13 accounts included these two areas for the first time. Staff in NSCJA are part of Strathclyde Pension Fund and Scottish Government guidance for community justice authorities (CJAs) says that where pensions for CJA staff are accounted for on a defined benefit basis then a pension reserve will need to be maintained. The accounts now show the pension liability, and pension reserve, for the first time (£62,000) and the 2011/12 figures have been restated to include pension details.

Findings

10. The main change required to the financial statements as a result of the audit process and under the accounting guidelines, were outlined in our International Standard on Auditing (ISA)
260 report, issued to the chief officer, as accountable officer, and treasurer on 24 October 2013.

11. The 2012/13 accounts, including the restated 2011/12 comparatives, included the annual leave and flexi-time accrual (2012/13 £2,149 and 2011/12 £4,246) for the first time. An employee statutory adjustment account was set up, which removes the impact of the accrual from the revenue reserve. Scottish Government guidance on community justice authorities does not allow an employee statutory adjustment account and the impact of accrual should be included in the revenue reserve.

12. The employee statutory adjustment account was removed and net liability changed from £64,149 to £62,000 for 2012/13 (£35,246 to £31,000 for 2011/12).

Financial results

2012/13 Outturn

13. In 2012/13 NSCJA reported a small accounting surplus on the provision of services of £2,207, compared to a breakeven budget; the surplus was due to savings on administration costs.

2012/13 financial position

14. The balance sheet as at 31 March 2013 shows net liabilities of £62,000 (£31,000 in 2011/12) and relates to NSCJA now accounting for pension liability as noted at paragraph 9. The increase in liability is attributable to changes in the pension fund actuary’s assumptions: higher pension and salary increase rates and lower expected return on pension assets.

15. A material net liability can highlight potential going concern issue however, we recognise that the appointed actuary is of the view that the asset holdings and contributions from employees and employers together with increases in contributions provide security over future liabilities. In light of these factors, it is reasonable that the accounts are prepared on a going concern basis.

2013/14 budget

16. Two sources of grant funding are made available to NSCJA from the Scottish Government. The first of these is known as section 27 funding, which in turn is allocated out to each of the member authorities. The initial allocation for 2013/14 was £10,213,203 (2012/13 £10,532,199; 2011/12 £10,763,859), a reduction of £318,996 (3%) from the previous year, due in part to pilot projects stopping. A further £20,079 was awarded to NSCJA prior to the start of the 2013/14 financial year.

17. Last year we reported that the Scottish Government was reviewing principles for funding allocations. For 2013/14, NSCJA was allocated a lump sum and not, as in previous years, a line-by-line core and non-core budget allocation. There is also greater flexibility to allocate resources towards area plan priorities.
18. In September 2013, the Treasurer and Chief Officer projected year-end overspend of £117,606, which primarily related to Argyll, Bute and Dunbartonshire CJA. Any such overspends would be borne by the member authorities.

19. The second source of grant funding is for administration costs. The 2013/14 budget is £220,477, compared to 2012/13 of £219,721, which was the same budget for a third year. A small underspend of £378 was projected for the year, as at September 2013.

Overall governance arrangements

20. The Code of Audit Practice gives auditors a responsibility to review and report on audited bodies’ corporate governance arrangements and we found that NSCJA has sound governance arrangements in place.

21. NSCJA normally meet quarterly but we note that since the 31 March 2013 year-end, NSCJA has only met once as both meetings held in June were not quorate. This appears to have been a one-off situation as up until then meetings have been held as planned. We will continue to monitor that all meetings are held quarterly.

Accounting and internal control systems

22. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.

23. With Renfrewshire Council (the council) being the host for NSCJA, all financial transactions of NSCJA are processed through the financial systems of the council and are subject to the same controls and scrutiny of the council including regular reviews of internal audit. We assess the work of internal audit and where possible place reliance on their work. For 2012/13 we placed reliance on their testing at the council. Internal audit reported on some system weaknesses on trade payables and we carried out additional substantive testing and results were satisfactory.

24. In the Internal Audit Annual Report 2012/13, the Chief Auditor concluded that reasonable assurance can be placed upon the adequacy and effectiveness on NSCJA’s internal control, risk management and governance arrangements. We note that a planned review to update the financial regulations was carried forward into 2013/14 to ensure it captures changes made to Renfrewshire Council financial regulations and codes.

Public Services Network

25. As already noted the council hosts all the systems for NSCJA and if there were any ICT system failures this could have a significant impact on the work of NSCJA as it exchanges so much data with member authorities. The government secure intranet (GSi) is the mechanism that allows the council to share data and services. The council must re-apply annually to the Cabinet Office to be allowed to connect to the government secure network. This year the
government is replacing GSi with the public services network (PSN). The new code of connection is challenging and uncompromising about security measures.

26. In our Annual report on the Audit 201/13 for Renfrewshire Council we confirmed that in September 2013 the Cabinet Office awarded accreditation to the council.

Prevention and detection of fraud and irregularity

27. In our Annual Audit Plan we highlighted the responsibility audited bodies have for establishing arrangements to prevent and detect fraud and other irregularities. In our opinion the overall arrangements for the prevention of fraud within NSCJA are satisfactory, although it should be noted that no system can eliminate the risk of fraud entirely.

Standards of conduct and arrangements for the prevention and detection of corruption

28. Audited bodies are responsible for ensuring that their affairs are managed in accordance with proper standards of conduct and have proper arrangements in place for implementing and monitoring compliance with standards and codes of conduct, standing orders and financial instructions. Auditors consider whether bodies have adequate arrangements in place. No issues have been identified by us for inclusion in this report.

Best value and performance

29. Audited bodies have a specific responsibility to ensure that arrangements have been made to secure Best Value. Auditors of local government bodies also have a responsibility to review and report on the arrangements that specified audited bodies have made to prepare and publish performance information in accordance with directions issued by the Accounts Commission.

30. Auditors may also consider the use of resources in services or functions, where the need for this is identified through local audit risk assessments. During the course of their audit appointment auditors should also consider and report on progress made by audited bodies in implementing the recommendations arising from reviews in earlier years.

31. This section includes a commentary on the performance management arrangements within NSCJA and notes any headline developments.

Performance management arrangements

32. The work of NSCJA is underpinned by the 2011-2014 Area Plan and annual action plans to progress the overarching strategy of the area plan. Update progress reports are provided to each NSCJA meeting. In March 2013, members were advised that of the 28 actions 23 (82%) have been completed within timescales, but there were delays in progressing the Reducing Reoffending Programme 2 and working with community planning partnerships.
Redesigning the community justice system: a consultation on proposals

33. In 2012 two reports were published that called for radical reform to reduce reoffending. In April 2012, the Commission on Women Offenders published their report setting out a number of practical recommendations to improve outcomes for women offenders in the criminal justice system. The Commission concluded that there were significant structural and funding barriers to the effective delivery of offender services in the community and that radical reform was required. In November 2012, Audit Scotland’s report on reducing reoffending also called for a review of existing arrangements. On 25 June 2012, in response to the report from the Commission on Women Offenders, the Cabinet Secretary for Justice stated that the status quo was untenable and that the Scottish Government would publish a consultation on the options for redesigning community justice.

34. The consultation paper was published on 20 December 2012 and it sets out three possible options for reform:

- Option A: Enhanced Community Justice Authority (CJA) model, where changes are made to CJA membership and functions.
- Option B: Local authority model, where local authorities assume responsibility for the strategic planning, design and delivery of offender services in the community.
- Option C: Single service model, where a new national social work-led service for community justice (separate to and sitting alongside the Scottish Prison Service (SPS)) is established.

35. NSCJA provided a written submission after consulting members, who preferred option B. The submission noted that the lack of costs and associated cost/benefit analysis hindered the review.

36. Scottish Government anticipates making an announcement on the way forward in late 2013, and subject to Parliamentary approval, implementation from 2016 onwards. There could be significant changes for CJAs and we will consider the Scottish Government plans as part of our planning for 2013/14.

Acknowledgements

37. We would like to express our thanks to the staff of Renfrewshire Council and NSCJA for their help and assistance during the audit of this year’s financial statements which has enabled us to provide an audit report within the agreed timetable.